

Message Text

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INFO ALL EC CAPITALS 1021

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AMEMBASSY OTTAWA

AMEMBASSY STOCKHOLM

AMEMBASSY TOKYO

C O N F I D E N T I A L EC BRUSSELS 07679

E.O. 11652: GDS

TAGS: EFIN, IT, IMF, EC

SUBJECT: EC MINISTERS OF FINANCE MEETING, AUGUST 24

REF: A) ROME 12215

B) ROME 12213

1. ON JUNE 27 AN EC COMMISSION OFFICIAL (LERMEN) BRIEFED THE MISSION ON THE EC FINANCE MINISTERS MEETING IN VENICE ALONG LINES OF REFTEL A. THERE FOLLOW A FEW ADDITIONAL POINTS THAT MAY BE OF INTEREST.

2. PRIOR TO DISCUSSION BY THE FINANCE MINISTERS, BANK OF ITALY DIRECTOR GENERAL OSSOLA REVIEWED THE US POSITION REGARDING IMF QUOTAS, IMF AND CENTRAL BANK GOLD, A FUTURE EXCHANGE RATE REGIME AND A PACKAGE DEAL. HE REPORTEDLY TOLD THE MINISTERS THAT THE US NO LONGER INSISTS THAT ONLY IN AN EXTREME EMERGENCY SITUATION SHOULD CENTRAL BANKS BE ABLE TO USE GOLD IN OFFICIAL SETTLEMENTS.

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HOWEVER, US OFFICIALS REMAIN AFRAID THAT THE PROPOSED

ARRANGEMENTS COULD LEAD TO A SYSTEM OF REGULAR EX-
CHANGE OF GOLD THROUGH CENTRAL BANKS AND MADE ALLUSION
TO TRANSACTIONS IN THE EUROPEAN MONETARY COOPERATION
FUND (FECOM). OSSOLA HAD THE IMPRESSION, HOWEVER, THAT
AFTER HE HAD PRESENTED US OFFICIALS DETAILED INFORMATION
ON FECOM, THEY WOULD ACCEPT THE EC APPROACH.

REM OSSOLA IS REPORTED TO HAVE TOLD THE EC MINISTERS
THAT THE US IS NOW PREPARED TO FIND A SOLUTION ON THE
GOLD AND IMF QUOTA ISSUES SEPARATE FROM THE FUTURE EX-
CHANGE RATE SYSTEM IF, AND ONLY IF, ARTICLES 4 AND 8
OF THE IMF AGREEMENT CANNOT BE ENFORCED AGAINST MEMBER
STATES WHICH DO NOT INTEND TO APPLY THOSE ARTICLES.

4. ACCORDING TO LERMEN, ITALIAN FINANCE MINISTER
COLOMBO'S STATEMENT OF THE AGREEMENT REACHED BY THE
EC FINANCE MINISTERS ON IMF QUOTAS WAS THAT THE EC
WILL TRY TO FIND AN ACCEPTABLE COMPROMISE FOR ALL
PARTIES CONCERNED. THE EC STILL PREFERS THAT THE US
AGREE TO A QUOTA BELOW 20 PERCENT. IF THE US REFUSES
THIS PROPOSITION, AN ATTEMPT WILL BE MADE TO REACH
ANOTHER SOLUTION WHICH SHOULD NOT PREJUDICE THE
PROBLEM OF BENELUX REPRESENTATION IN THE IMF.

5. REGARDING THE DISCUSSION ON THE REFLATIONARY
PROGRAM OF THE MEMBER STATES, DESCRIBED IN THE PRESS
COMMUNIQUE (SEE REFTEL B), WE UNDERSTAND THAT A
MAJORITY OF THE MEMBER STATES EXPRESSED DISSATISFACTION
WITH THE FRENCH AND GERMAN REFLATIONARY MEASURES.
THEY THOUGHT THESE COUNTRIES COULD DO MORE NOW AND
SHOULD HAVE DONE MORE EARLIER.

6. REGARDING THE ALLUSION IN THE COMMUNIQUE THAT
NON-EC INDUSTRIAL COUNTRIES SHOULD ALSO REFLATE,
LERMEN SAID THAT PERHAPS AT THE GROUP OF TEN MEETING
AND ON OTHER APPROPRIATE OCCASIONS IN WASHINGTON,
EUROPEAN OFFICIALS INDIRECTLY, IF NOT DIRECTLY, WILL
SUGGEST THAT THE US TAKE FURTHER REFLATIONARY STEPS.
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